

# LEM

Life Energy Motion



# UN Global Compact

## Communication on Progress

### 2020



# life energy motion

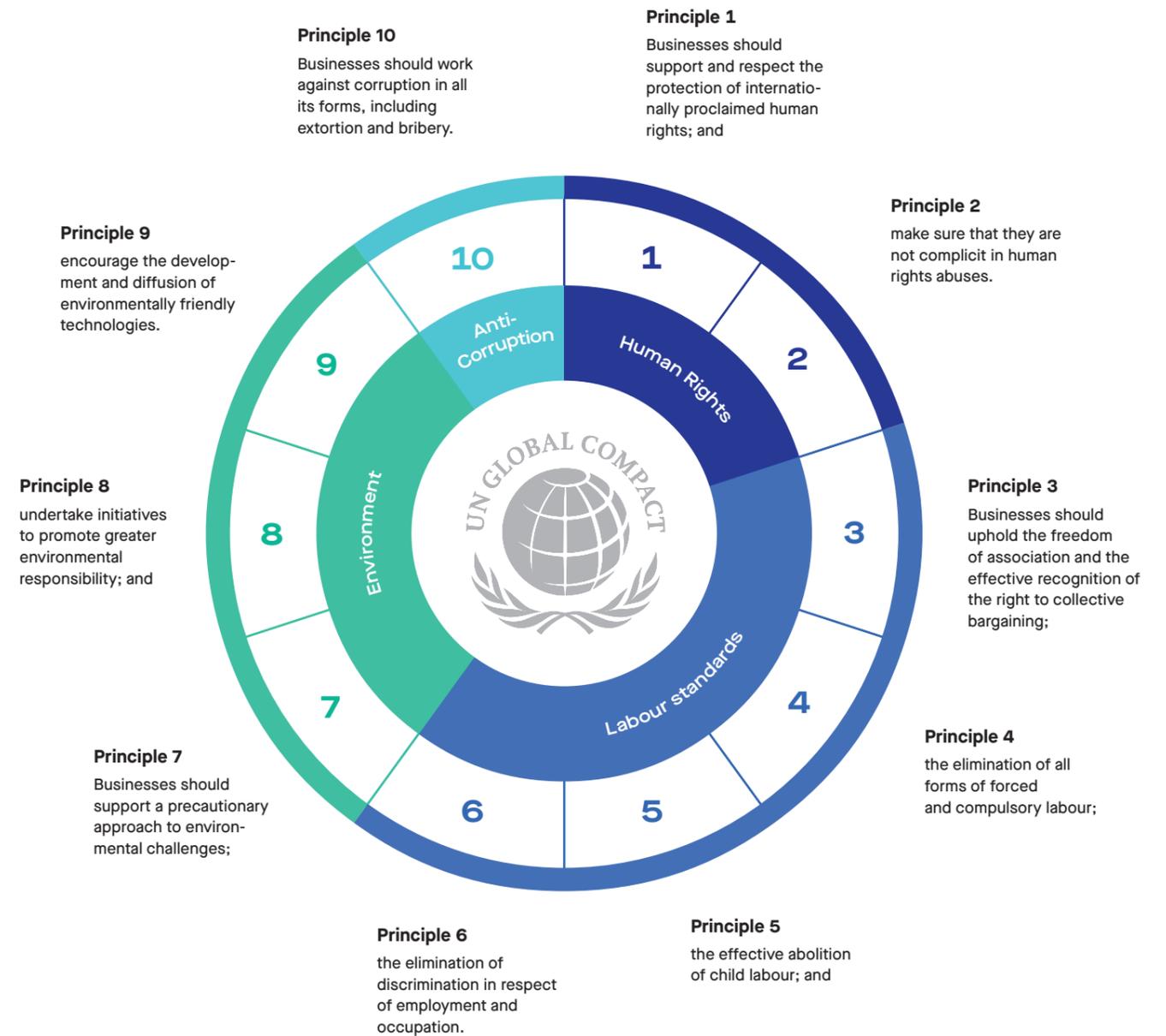
Streams of steady, safe, uninterrupted electric flow keep us plugged in, on line, up and running. This would be not be possible without electric sensors. LEM products help encourage renewable energy and provide continuous power supply, to ensure the connectedness that improves our quality of life.

LEM develops sensors that meet the most demanding standards of accuracy and safety and engineers a range of compact semiconductor-based sensing solutions. A sustainable future depends on sensors for smart grids, microturbines, wind and solar power for affordable and clean energy.

Sensor solutions play a role in our everyday lives: in trains, trams, buses, conventional cars, green cars, elevators. With our strong heritage of nearly 50 years as market leaders, LEM is at the forefront of best-in-class and new sensors for mobility applications that provide us with safe, reliable motion.



## The Ten Principles of the UN Global Compact



# Letter from the CEO

For 2021, we are pleased to reconfirm that LEM fully supports the Ten Principles of the United Nations Global Compact.

Sustainable development and environmental responsibility – as covered by UN Global Compact principles 7, 8, and 9 – are at the heart of our activity. At LEM, we strive to develop products that are key to reducing both energy consumption and CO<sup>2</sup> emissions. With our 1,500 employees across 15 countries, we work at the forefront of megatrends such as renewable energy, mobility, automation, and digitalization. We foster sustainable energy sources and responsible consumption. Together, we develop innovative solutions to help our customers and society accelerate the transition towards a more sustainable future.

As an example, our electric sensors are used in solar applications, windmills, trains, electric and hybrid vehicles. Our other applications help to control and reduce the amount of electric energy used. Moreover, we do our best to minimize the amount of raw material by reducing our products' size while further avoiding unnecessary emissions by moving LEM's factories closer to our final markets.

This sustainable vision is also reflected in our new global HQ, currently under construction in Geneva, Switzerland. We have set high environmental goals for the building, which we aim to reach by further reducing our footprint, including energy and water consumption, and waste production. We also plan to install solar panels and charging stations for electric cars, to mention a few examples.

Furthermore, the new ways of working imposed by the current health care situation have helped raise awareness across our offices. We are committed to further diminishing our business trips and promoting home office for our employees when possible.

Finally, in 2020, we have taken another decisive step on our sustainable journey by harmonizing and formalizing clear ESG objectives for the group. Our 11 KPIs cover themes such as Environment & Sustainability, Society, and Governance that can be found at the end of this report.

Concerning principles 1 to 6 of the UN Global Compact, we are committed to fostering a culture that encourages personal development, creativity, teamwork, and innovation. Diversity, inclusion, integrity, and equality are essential and shared values which are at the core of our business and come naturally to our people.

To ensure constant monitoring of our performance in these domains, we ask an external company to conduct an anonymous employee engagement survey every two years. Questions range from labor practices to well-being or integrity. In 2020, 93% of our employees worldwide participated in the survey, which showed excellent results again, clearly above average and better than two years ago. In particular, scores regarding work-life balance and working environment increased compared to 2018.

This year, we decided to go one step further and formalize measures to improve the survey's results. We assigned a human resource specialist to each manager, to develop a clear action plan to improve employee satisfaction and well-being where required.

At LEM, we share strong values and are committed to hiring people based on their talent. We support each of our employees in their professional development. We are also committed to increasing diversity amongst our ranks. We are notably very proud to have several women and various nationalities represented amongst our managers and Executive Committee. Moreover, LEM's Chief Human Resources Officer has recently been appointed to the Executive Committee. This is a crucial appointment to ensure the continuity of our best practices and keep our employees' well-being at the center of our business.

In light of our strong commitment towards a better and more sustainable future, we look forward to further reinforcing our adherence to the Ten Principles of the United Nations Global Compact in 2021.

Sincerely yours,



**Frank Rehfeld**  
Chief Executive Officer,  
December 2020



# Responsibility

## Sustainable and ethical practices create long-term benefits for society and business longevity. We operate within a clear value system governed by our Code of Conduct.

We believe that sustainable and ethical practices create long-term value for all key stakeholders in society and assure the longevity of businesses. Our success stems from operating within a clear value system, following best practice principles and standards, together with the close monitoring of environmental, social and governance (ESG) key performance indicators (KPI).

### LEM Code of Conduct

The LEM Code of Conduct (CoC) is our key document. It reflects the United Nations Global Compact, global environmental standards and our core values. It is a binding document for employees and business partners, such as suppliers and consultants, whose compliance we regularly audit. Every LEM employee receives e-learning training on the CoC, including instructions and case studies, and signs it.

### United Nations Global Compact

Since 2006 we adhere to the Ten Principles of the United Nations Global Compact, which are driving global action to achieve the Sustainable Development Goals by 2030. These principles, which relate to human rights, labor, environment and anticorruption, are embedded in every aspect of LEM, from our strategy to our actions. As we do every year, in 2020 we provided an update on our progress to the United Nations which is available on our website. In addition, we follow the best practice policies of the Universal Declaration of Human Rights and the UK Bribery Act.

### Environmental standards

The trends to sustainable energy sources and electromobility are two of LEM's key growth drivers. Our accurate sensing solutions give our customers a competitive edge in energy management solutions. For example, LEM sensors' high accuracy directly impacts the battery pack size of an electric or hybrid-electric car, and hence improves car weight and energy consumption.

All our production sites are ISO 14001:2015 certified, an environmental certification which we renew regularly. Our production activities are compliant with REACH (European Regulation for Registration, Evaluation, Authorization and Restriction of Chemicals), RoHS (Restriction of Hazardous Substances) as well as conflict minerals reporting and obligations. LEM regularly publishes updates to its standards and reporting on our website. All LEM manufacturing sites apply waste sorting and treatment solutions. For each new product, we develop an environmental profile before launch, which includes recyclability rate and material saving compared to previous or equivalent models.

## LEM Code of Conduct

**Ethics** **Human rights** **Business practices**

### United Nations Global Compact

– UN Sustainable Development Goals

### Environmental standards

- Preserving the environment
- Protecting human health
- Utilizing natural resources rationally

### ESG performance

With our sensors for energy efficient applications, we contribute to a more sustainable and responsible world. Equally, we recognize the importance to make a meaningful contribution within our organization and to keep score of our environmental, social, and governance (ESG) performance. This is why we started collecting key performance indicator (KPI) data since 2015. Our ambition is to continually develop our internal capabilities and sustainability initiatives, and to report transparently on our progress.

### Environmental

We measure our environmental footprint through the consumption of power, water, and petrol, the CO2 emissions from air freight, continuous compliance with ISO 14001, and the number of supplier audits conducted.

Power, water, and petrol consumption are measured by the total numbers of sensors sold, as all of them are directly output related. Petrol is used for our company cars globally, mainly by our sales teams, and also to back generators during power shortages in China. We disclose CO2 emissions from air freight, as this is the main mode of transportation to get our products to our customers.

Our 4 production sites comply with the ISO 14001 standard. Every year, we audit suppliers based on their ESG performance and make sure that our ESG principles are well cascaded across our supply chain; this is our standard procedure before we accept a new supplier.

Since 2015, the KPIs for supplier audits, freight emissions, and petrol and water consumption have shown a positive development and we maintain the ISO 14001 certification due to consistent processes.

### Social

It is our goal to foster a culture that encourages professional development, equal and fair treatment, and that nourishes and empowers every individual. We want to be a company where every employee can feel safe to be creative, innovative, and thrive with their personal talents.

We make sure that our employees are not subject to discrimination based on characteristics other than inherent factors required for the job. In the financial year 2019/2020, our Geneva site was audited for its gender pay gap confirming that women and men earn the same salary for equivalent positions. To help our talent prosper, we encourage them to seek professional development. We executed 908 training days in 2019, which is more than double that of 2015.

In light of Covid-19, our site in Beijing donated 165,000 RMB to finance epidemic prevention material for a hospital in Wuhan. Half of the donation came from our employees and half from the company.

### Governance

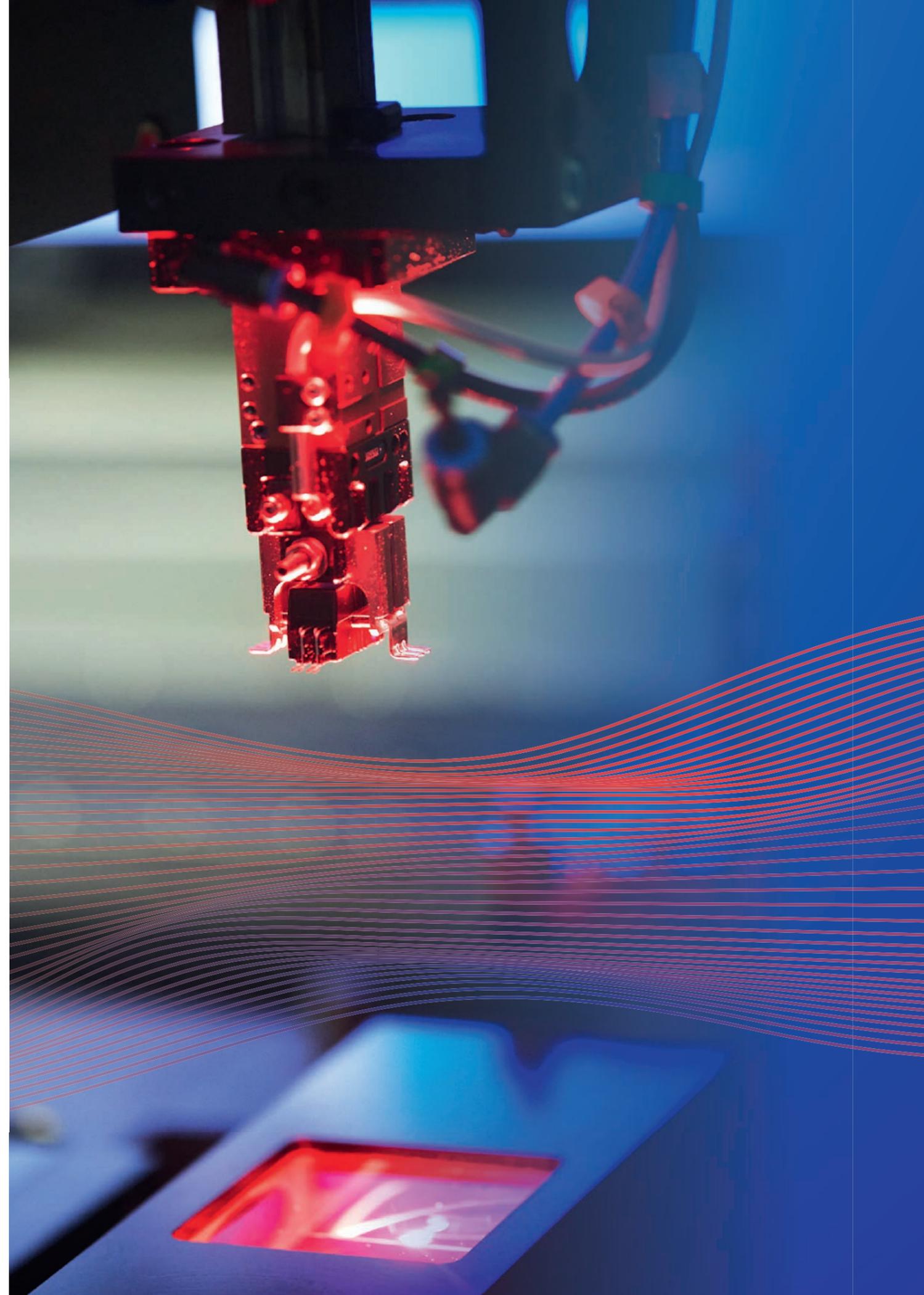
We want our employees to act based on our CoC to make sure that our values are well understood across all sites, cultures, and positions. This is why we ensure all employees sign the CoC upon their arrival and require them to take an e-learning. The test was launched in mid-2017, is based on 12 questions and has to be retaken every three years. For the year 2019, 84% of our employees with more than six months at LEM have taken this test.

**Our sensors for energy efficient applications contribute to a more sustainable world. We continually develop our ESG initiatives and report transparently on our progress.**

## ESG Key Performance Indicators

	2015	2016	2017	2018	2019	2019 vs 2015
<b>Environmental</b>						
Power consumption (kWh)/total numbers of sensors sold	0.152	0.149	0.141	0.144	0.156	+3%
Water usage (L)/total numbers of sensors sold	0.65	0.72	0.63	0.49	0.51	-22%
Petrol usage (g)/total numbers of sensors sold	1.25	1.21	0.89	0.85	0.90	-28%
Freight emissions in tons of CO <sup>2</sup>	N/A	N/A	N/A	7'618	7'577	(vs 2018) -1%
Production sites with ISO 14001	100%	100%	100%	100%	100%	✓
Number of supplier audits	38	36	55	46	44	+16%
<b>Social</b>						
Discrepancy between salaries of men and women*	N/A	N/A	N/A	N/A	99.7%	✓
Number of training days by external companies	287	410	571	366	908	+217%
<b>Governance</b>						
Code of Conduct signed by our employees	93%	89%	93%	96%	97%	+5%
% of employees trained on the Code of Conduct	N/A	N/A	N/A	63%	84%	(vs 2018) +33%

All years are 12 month calendar periods  
 \*100% = no discrepancy, Geneva site only



# Code of Conduct

We are committed to aligning our operations and strategies with the universally accepted United Nations Global Compact principles in the areas of human rights, labor, environment and anti-corruption. By doing so, we can help ensure that markets, commerce, technology and finance advance in ways that benefit economies and societies everywhere.

Scope: This code applies to all stakeholders of LEM: employees including temporary workers & managers; business partners, including suppliers, subcontractors, consultants, distributors, agents and other third parties associated with us.

## Human rights

1. We support and respect the protection of internationally proclaimed human rights and make sure that we are not complicit in human rights abuses.\*
2. We provide safe & healthy working conditions.\*
3. We commit to protect our employees and colleagues against harassment in the workplace, in particular against any kind of sexual, physical or psychological abuse.\*

## Labor

4. We uphold the freedom of association and the effective recognition of the right to collective bargaining.\*
5. We uphold the elimination of all forms of forced and compulsory labor and the effective abolition of child labor.\*
6. We uphold the elimination of discrimination in respect of employment and occupation.\*
7. We undertake not to work under the influence of any substance that could impair our judgment or interfere with our effective and responsible professional performance, in order to protect our own safety as well as that of our colleagues and communities.

## Environment

8. We support a precautionary approach to environmental challenges, we undertake initiatives to promote greater environmental responsibility and we encourage the development and diffusion of environmentally friendly technologies. \*

## Business practices

9. We commit to be in compliance with all relevant laws and other applicable standards.
10. We work against corruption in all its forms, including extortion and bribery.\*  
We do not offer, promise, grant, accept, tolerate, knowingly benefit from or demand any bribes, gifts or other improper advantages which might be construed as influence enhancing. If it is customary in a cultural environment to exchange gifts, these shall be of a symbolic nature.

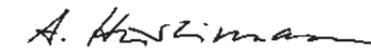
11. We disclose to LEM any situation that may appear as a conflict of interest and, when concerned, refrain from any intervention between LEM and concerned partners.
12. As a publicly listed company, LEM informs its employees, shareholders, the media and financial analysts as well as other target groups in a comprehensive and transparent manner and on the basis of the principle of equal treatment. We acknowledge that the Chairman of the Board, CEO and CFO are LEM's exclusive communication channel to the general public / financial community and will inform the CFO about any potentially price-sensitive fact in order for LEM to comply with its ad-hoc disclosure obligations.
13. We treat confidential information of all our stakeholders with the utmost care. We do not pass on any confidential information, even after having left the company. We protect our data and those of our stakeholders.
14. We must not benefit from, or enable others to benefit from, trading in securities or stocks based on material non-public information.

## Application of this Code of Conduct \*\*

- LEM and its employees use the following measures to apply this Code of Conduct, and we recommend our business partners to apply similar measures.
15. We foster a culture within the organization in which misconduct is never acceptable. All our employees, including our top-level management, are constantly committed to preventing any misconduct of our stakeholders.
  16. We assess the nature and extent of our exposure to potential external and internal risks. This assessment is periodic, informed and documented.
  17. We apply due diligence procedures, taking a proportionate and risk based approach in order to mitigate identified risks. We seek to ensure that our policies and procedures are embedded and understood throughout the organization through internal and external communication, including training. We count on you, our employees, to apply our principles.

18. Any queries concerning these principles, or reports on their violation, need to be addressed to line managers or the Human Resources department of your workplace or escalated to corporate via [speakup@lem.com](mailto:speakup@lem.com). Employees reporting a violation in good faith do not have to expect any negative consequences. Such reports shall be treated with the appropriate confidentiality and anonymity. We do not prohibit anonymous reports, but in order to guarantee adequate investigation, we clearly encourage identifiable reports.
19. We monitor and review procedures and make improvements where necessary.
20. Any employee who violates the law or any of the company's policies or this Code of Conduct is subject to disciplinary action including and up to termination of employment.

For the Board of Directors  
Geneva,



**Andreas Hürlimann**  
Chairman

\* As defined in the UN Global Compact and specified in the UN Supplier Code of Conduct

\*\* As defined by UK Bribery Act

**UN Global Compact**

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2020**